

GCC Fixed Income Weekly Review

Global benchmark bond index posted declined over the week (ending 18th April 2023). US Treasury yields rose over the week as market expectations of May rate hike firmed up. Euro zone government bond yields also rose on hawkish ECB prospects. In credit, corporate bonds performed mixed - Global HY index recorded marginal gains. EM USD bonds had a negative week, recording losses over the week, led by EM LatAm.

Demand for GCC bonds was mostly subdued. All GCC bond markets recorded losses with the exception of the Oman. Qatar underperformed the most. Similarly, 5yr CDS sovereign spreads tightened in all GCC countries barring Dubai. 10yr USD bond yields mostly rose across the GCC with the exception of Oman.

According to the International Monetary Fund (IMF), **the UAE economy is expected to grow at a faster rate of 3.9% in 2024 compared to 3.5% in 2023.** Also, **Saudi Arabia's annual inflation rate dropped from 3% in February to 2.7% in March, mainly due to an increase in housing rents.** Elsewhere, according to the global inflation index, Oman has experienced a significant decrease in its inflation rate, **Oman currently has the lowest inflation rate among Arab nations.** Oman's inflation rate was approximately 1.8% in January 2023.

In issuances, **Abu Dhabi National Energy Company raised USD1.5bn through its first green bond sale.** The 10-year notes, sized at USD1bn and maturing on 24 April 2033, were issued at a coupon rate of 4.696%. The 5-year notes, sized at USD500mn and maturing on 24 January 2029, were issued as conventional bonds at a coupon rate of 4.375%. In upcoming issuances, **DAMAC is planning to issue a three-year Islamic bond, or sukuk, with a minimum value of USD500mn.** The company has provided an initial **profit rate estimate of 8.125%.**

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Country	Saudi Arabia	Abu Dhabi	Dubai*	Kuwait	Bahrain	Oman	Qatar	Egypt
Moody's	A1	Aa2	Baa2	A1	B2u	Ba3	Aa3	B3
Fitch	A+	AA	-	AA-	B+	BB	AA-	B+

Note: *Dewa rating used as proxy

GCC Fixed Income Weekly Snapshot

	Interest rates			Interest rates		
	Latest	-1w %	YTD %	Latest	-1w (bp)	YTD (bp)
BBG Barclays				3M interbank		
EM USD Agg TR	1097.3	-0.48	2.2	Saudi	5.6	-2.32
EM LatAm TR	938.7	-0.60	1.9	UAE	5.2	22.10
EM EMEA TR	328.0	-0.46	1.6	Kuwait	4.3	0.00
EM Asia TR	594.8	-0.41	3.0	Bahrain	6.4	2.98
Bahrain TR	179.8	-0.26	1.8	Oman	5.5	16.95
Oman TR	140.4	0.03	3.5	Qatar	5.7	0.00
Kuwait TR	142.9	-0.04	2.1	US	5.3	1.37
Qatar TR	132.1	-0.79	2.4	12M interbank		
Saudi Arabia TR	135.8	-0.73	2.3	Saudi	5.8	6.33
UAE TR	134.8	-0.38	2.2	UAE	5.1	10.44
5Y Sov. CDS				Kuwait	4.7	0.00
Saudi Arabia	62.0	-2.30	-1.4	Bahrain	6.6	4.17
Abu Dhabi	41.5	-1.90	-6.2	Oman	5.7	17.70
Dubai	84.8	0.60	-9.3	Qatar	6.0	0.00
Kuwait	55.0	-2.00	-5.6	10Y yield		
Bahrain	257.7	-3.60	-2.3	Saudi Arabia^^	4.6	0.10
Oman	165.7	-1.70	-25.3	Abu Dhabi	4.0	19.90
Qatar	42.9	-1.30	-7.0	Dubai	4.3	4.70
Egypt	1466.0	-26.80	561.7	Kuwait	3.9	14.00
Turkey	537.3	-9.96	20.1	Bahrain	6.9	3.10
US	52.5	3.10	25.4	Oman	5.7	-1.80
Germany	16.9	0.40	-3.8	Qatar	4.0	20.80

Note: data from 12th April 2023 to 18th April 2023, Source: Moody's rating, Fitch ratings, Bloomberg, ADCB Asset Management

^^ YTD data from 13th January 2023

Abu Dhabi National Energy Company raised USD1.5bn through its first green bond sale

Abu Dhabi National Energy Company PJSC (TAQA) raised USD1.5bn in 5-year and 10-year dual-tranche senior unsecured notes. The 10-year notes, sized at USD1bn and maturing on 24 April 2033, were issued at a coupon rate of 4.696%. The 5-year notes, sized at USD500mn and maturing on 24 January 2029, were issued as conventional bonds at a coupon rate of 4.375%. These notes represent TAQA's first green bond issuance and net proceeds of the issuance will be used to finance, refinance and invest in relevant eligible green projects, as outlined in the company's Green Finance Framework. With a final order book approaching USD15bn, the transaction was almost 10 times oversubscribed with a very strong demand from domestic, regional and international investors.

(Source: TAQA)

DAMAC is planning to issue a three-year Islamic bond

DAMAC is planning to issue a three-year Islamic bond, or sukuk, with a minimum value of USD500mn, which is considered benchmark-sized. The company has provided an initial profit rate estimate of 8.125%.

(Source: Zawya)

UAE economy is expected to grow at a faster pace in 2024 – IMF

The IMF forecasts the UAE economy to grow at a faster rate of 3.9% in 2024 compared to 3.5% in 2023. The IMF has lowered its forecast for 2023 by 0.7%, from 4.2% to 3.5%. The global economy is facing a highly uncertain moment, according to the IMF. While there were some indications at the beginning of 2023 that the world economy could achieve a soft landing with stable growth and decreasing inflation, stubbornly high inflation and recent turbulence in the financial sector have reversed these early signs.

(Source: Zawya)

Inflation in Saudi Arabia slowed in March to 2.7%

Saudi Arabia's annual inflation rate dropped from 3% in February to 2.7% in March mainly due to an increase in housing rents. The rent for housing increased by 8.7% from the previous year, primarily driven by a 22% increase in apartment rents. Food and beverage prices, which had been the primary contributor to inflation in 2022, increased by 2.3%, while restaurant and hotel prices rose by 6.3%.

(Source: Zawya)

Inflation in Oman is lowest among Arab countries at 1.8%

According to the global inflation index, Oman has experienced a significant decrease in its inflation rate, which has fallen by two and a half times. Oman currently has the lowest inflation rate among Arab nations. The index reported that Oman's inflation rate was approximately 1.8% in January 2023, down from 4.4% in January 2022. The index also noted that Oman's highest inflation rate was in January 2008, reaching 13.75%.

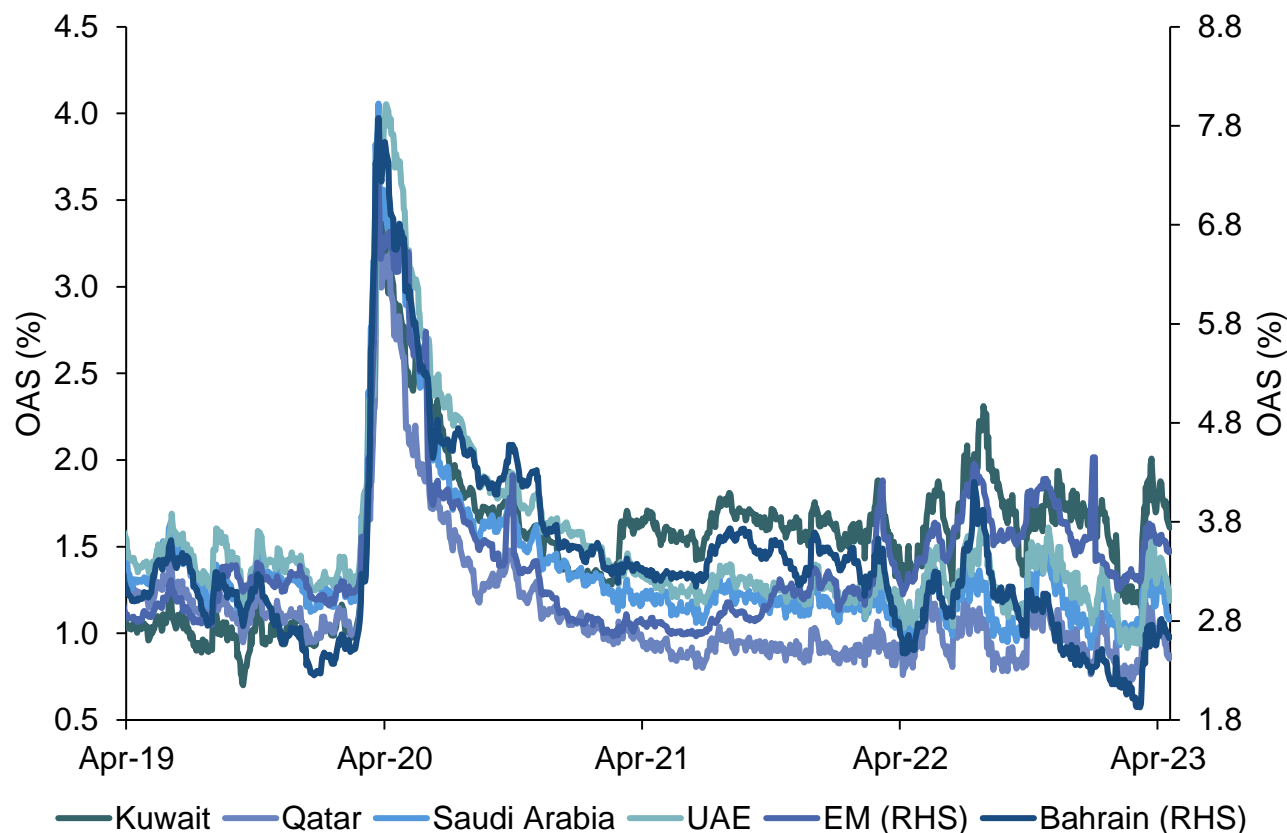
(Source: Zawya)

Issuer	BBG	Sector	Country	Issue Amt*	Cpn	Maturity	Maturity Type	Currency	Issue Date	Rtg^	YTM (mid)	YTC (mid)
AL Rajhi Sukuk Ltd	RJHIAB	Financial Institutions	SA	1000	4.75	4/5/2028	AT MATURITY	USD	4/5/2023	A-	4.53	-
SAUDI ELECTRICITY SUKUK	SECOAB	Sovereign	SA	1200	4.632	11/4/2033	AT MATURITY	USD	4/3/2023	A	4.49	-
SAUDI ELECTRICITY SUKUK	SECOAB	Sovereign	SA	800	5.684	11/4/2053	AT MATURITY	USD	4/3/2023	A	5.47	-
KINGDOM OF BAHRAIN	BHTB	Sovereign	BH	1000	7.75	4/18/2035	AT MATURITY	USD	4/6/2023	B+	7.69	-
CBB INTL SUKUK PROG WLL	BHTB	Sovereign	BH	1000	6.25	10/18/2030	AT MATURITY	USD	4/6/2023	B+	5.94	-

*Amount Issued in USD/AEDmillion, Bloomberg sector classification has been used, ^Issuer rating used where applicable, Fitch rating or equivalent used Source: Fitch Ratings, Moody's ratings, Bloomberg, ADCB Asset Management

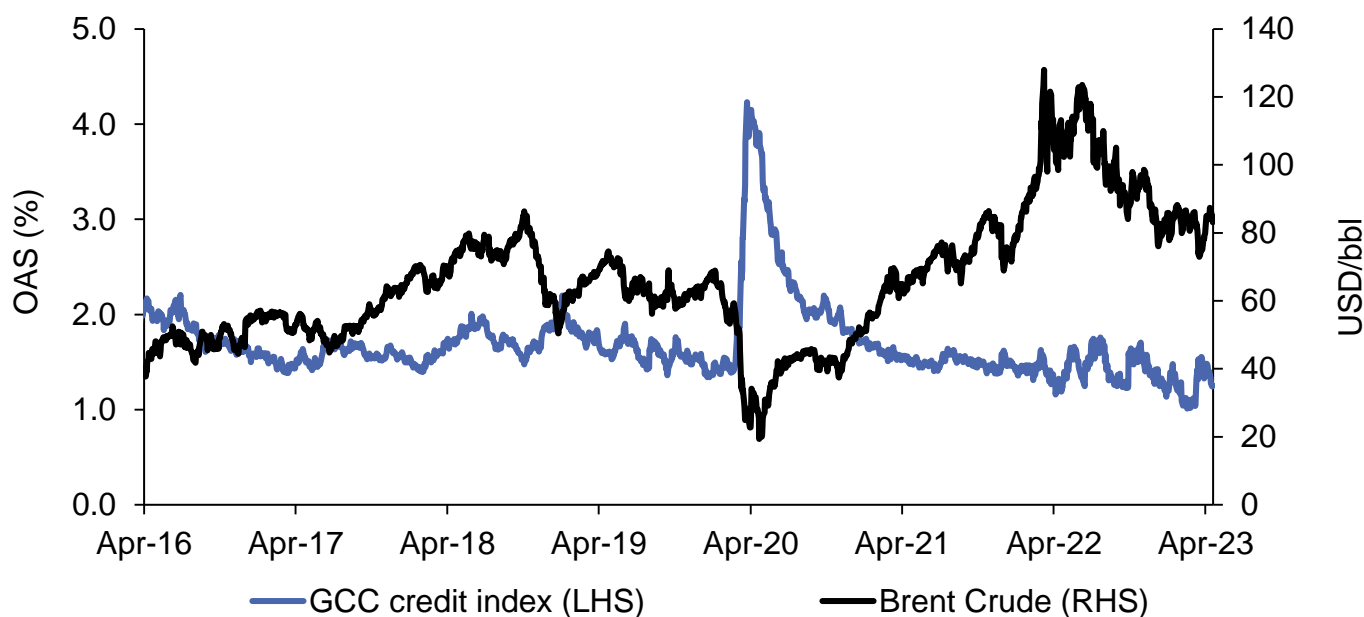
Appendix

Bloomberg Barclays Bond Indices OAS spread (EM vs GCC)



Source: Bloomberg Sovereign Bond Indices, ADCB Asset Management

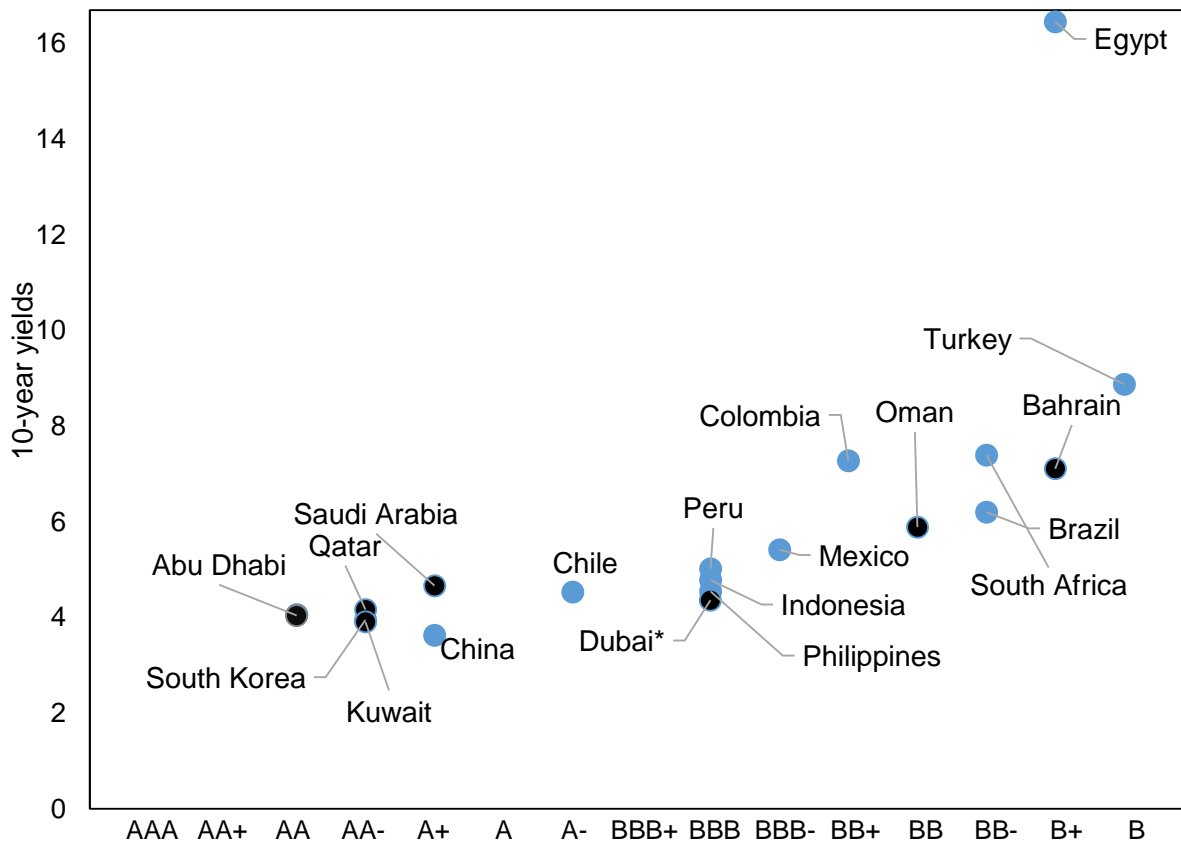
GCC corporate OAS spread versus Brent Crude



Source: Bloomberg, ADCB Asset Management

10yr yield versus Credit ratings (EM vs GCC)

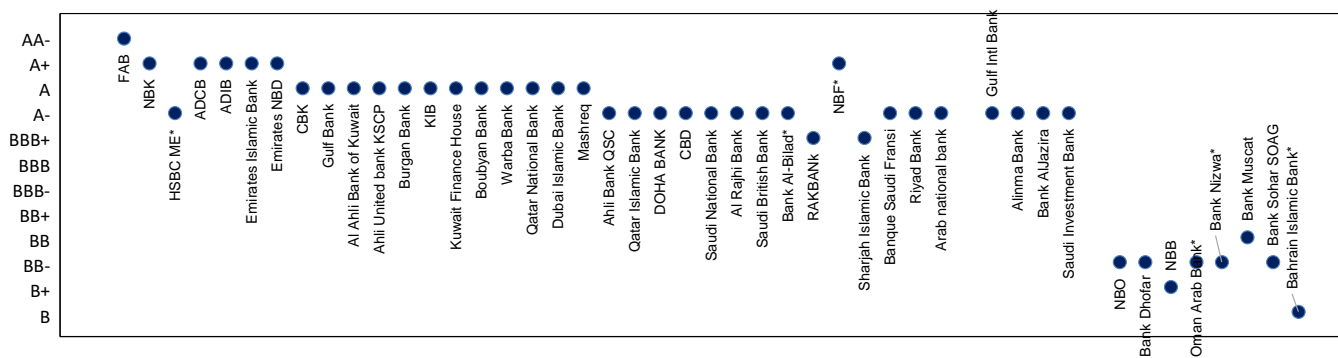
GCC sovereign valuation versus peers



Source: Bloomberg, ADCB Asset Management, *Dewa rating used as a substitute for Dubai, Fitch ratings are used for all countries

GCC Financials Credit Rating

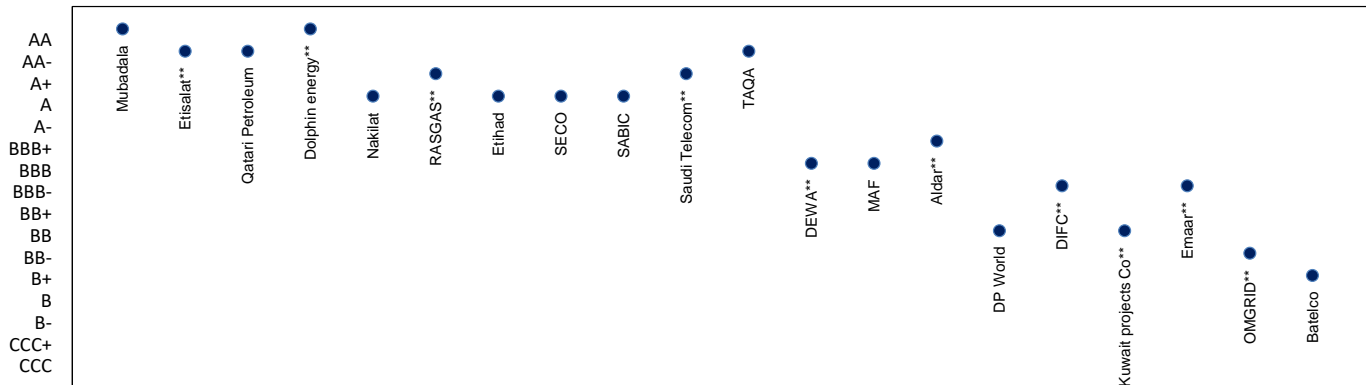
GCC Financials



Note: The ratings refer to Fitch ratings, *Moody's rating used as substitute where the corporate/bank not rated by Fitch rating
Source: Bloomberg, ADCB

GCC Corporate Credit rating

GCC Corporates



Note: The ratings refer to Fitch ratings, **Moody's rating used as substitute where the corporate/bank not rated by Fitch rating
Source: Bloomberg, ADCB

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